

Digital License Plate Hardware, Software and Blanking Line Lease Agreement

THIS LEASE AGREEMENT ("Agreement") is made as of **January 1, 2007** (the "**Effective Date**"), by and between 3M COMPANY, acting through its Traffic Safety Systems Division, 3M Center, St. Paul, Minnesota, 55144-1000 ("3M"), and Montana Correctional Enterprises (the "State"). 3M and the State are hereinafter referred to jointly as the "Parties" and individually as "Party".

1. **Effective Date.** The Effective Date shall initiate the billing of the equipment lease, software lease and the service contract. The signing date of this agreement will be after the effective date. The State is responsible to make a lump sum payment to 3M for all back payments that occurred between the effective date and signing date, within 30 days of signing date.
2. **Transfer of ownership.** Ownership of the 3M Digital License Plate Printer and cooling system that is currently used for License Plate Production at the State's manufacturing facility in Deer Lodge, Montana shall transfer from 3M to the State upon acceptance of this Agreement. 3M shall conduct a mechanical reconditioning of this equipment as detailed in Exhibit A.
3. **Software License and Equipment Lease.** 3M shall grant the State a software license in perpetuity as detailed in Exhibit C and 3M leases to the State all Blanking Line Equipment listed on Exhibit B, attached to and made a part of this Agreement, on the terms and conditions contained in this Agreement.
4. **Requirements for Lease.** State agrees to a 5 year consumables contract and 4-year, 6-month service contract per pricing contained in Exhibit D. The State has an existing service contract with 3M that expires June 30, 2007. The State has paid for these services.
5. **Term and Termination.** The term of this Agreement shall begin on the "Acceptance" Date defined in section 4 hereof and shall end 5 years after the Acceptance. Lease shall be renewable upon mutual agreement by both parties.
6. **Installation.** The Equipment as part of this agreement has been installed by 3M and is in use by the State. No additional Installation activities are required to initiate this lease. State, without prior written consent of 3M, shall not permit the Equipment to be removed from the location at which 3M installed it.

7. **Use, Care and Consumables.** State shall use the property in a careful and proper manner and shall comply with all laws, ordinances and regulations relating to the possession, or use of the Equipment during the term of the Agreement, State shall operate the Equipment as directed in Operating Manuals or other documentation provided by 3M. State agrees that it will make no alterations to the Equipment during the term of the Agreement without obtaining prior written permission from 3M. During the term of the Agreement, State shall purchase all approved System Consumables as defined in Exhibit E including reflective sheeting, thermal transfer ribbons, clear over-laminate and print heads from 3M.
8. **Maintenance.** Under the Service Contract as detailed in Exhibit F, 3M shall perform, during the term of the Agreement, all maintenance and all repair of the Equipment, which may become necessary for continued use of the Equipment. Certain minor maintenance such as lubrication and cleaning which is specified in the Operating Manual or other documentation supplied by 3M shall be performed by State. Any repairs, which become necessary because of misuse or abuse of the Equipment / Software will be performed by 3M and charged to State at 3M's standard rates. State will notify 3M when repair is necessary. 3M will perform the repair as promptly as practical, but 3M shall not be liable for any damages such as, but not limited to, lost profit, aluminum scrap, and loss of reputation or lost opportunity resulting from down time.
9. **Title.** Title to the Blanking Line Equipment Listed in Exhibit B shall remain with 3M throughout the term of the Agreement. During the term State agrees not to remove or cover any marks on the Equipment, which identify it as the property of 3M. State shall not misrepresent ownership of the Equipment and shall not, during the term of the Agreement, attempt to sell or transfer it to another or not pledge the Equipment as collateral for a loan or otherwise encumber the Equipment. State agrees to execute any documents 3M may reasonably request which memorialize or record 3M's ownership of the Equipment. At the end of the term the Equipment will be returned to 3M. 3M will remove the equipment from State's premises and pay transportation charges to return the Equipment to 3M. At the end of the Agreement 3M and State may negotiate a purchase price for the equipment and Title will subsequently transfer to State or a new lease agreement may be signed.
10. **Loss or Damage.** Beginning on the Acceptance Date and continuing until the end of the Agreement term State assumes full responsibility for

any and all loss or damage to the Equipment listed in Exhibit B from any cause whatsoever, except for damage due to reasonable wear and tear from normal use and for loss or damage due solely to 3M's negligence.

11. **3M's Right of Inspection.** 3M, at all times during business hours, shall have the right to enter on the premises where the Equipment may be located for the purpose of inspecting it or observing its use. State shall give 3M immediate notice of any attachment or other judicial process affecting the Equipment.
12. **Taxes and Fees.** State shall pay all license fees, assessments, and sales, use, property, and other taxes imposed on the Equipment by reason of ownership, leasing, renting, sale, possession, or use, whether they be assessed to 3M or State, together with any penalties or interest, excepting federal, state, or local governmental taxes, or payments in lieu of those taxes, imposed on or measured by income of 3M.
13. **Events Constituting Default.** The following events shall constitute default under this Agreement:
 - (a) The nonpayment by State for a period of thirty (30) days of any sum required to be paid by State;
 - (b) The nonperformance by State of any other term, covenant, or condition of this Agreement that is not cured within thirty (30) days after notice of nonperformance from 3M.
 - (c) The nonperformance by 3M of any term, covenant, or condition of this Agreement that is not cured within thirty (30) days after notice of nonperformance from the State.
14. **3M's Rights on Default.** On the occurrence of any of the events stated in Section 11 as constituting defaults, 3M, without notice to or demand on State, may take possession of the Equipment.
15. **Governing Law.** This Agreement shall be governed by and construed under the laws of the State of Montana.
16. **Assignment.** Without the prior written consent of 3M, State shall not:
 - a) Assign, transfer, or pledge this Agreement, or any part of, or any interest in the Equipment;
 - (b) Sublet or lend any part of the Equipment, or
 - (c) Permit any part of the property to be used by anyone other than State or State's employees.

3M may assign its interest, or a part of its interest, in this Agreement.

17. **Attorney Fees.** In the event that any action is filed in relation to this Agreement, the unsuccessful party in the action shall pay to the successful party, in addition to all other sums that either party may be called upon to pay, a reasonable sum for the successful party's attorney fees.
18. **Notices.** Any communications between 3M and the State regarding, payments, and notices provided in this Agreement to be given or made, shall be given or made by mailing them to 3M at Business Unit Director, Traffic and Vehicle Systems, Building 225-5S-08, 3M Center, Saint Paul, MN 55144-1000, and to State at: Montana Correctional Enterprises, _____, or to such other addresses as either party indicate in writing.
19. **Warranty and Limitation of Liability.** THE FOLLOWING WARRANTY IS MADE IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE AND ANY IMPLIED WARRANTY ARISING OUT OF A COURSE OF DEALING, A CUSTOM OR USAGE OF TRADE: 3M warrants that Equipment will be free from defects in workmanship and material and to conform to the specifications contained in Exhibit A for the entire term of the Agreement, and this warranty shall expire when the term of the Agreement expires. If the Equipment is proved to be defective, then State's exclusive remedy and 3M's sole obligation shall be, at 3M's option, to repair or replace the parts of the Equipment which is proved to be defective as set forth in section 6 of this Agreement. The limited remedy set forth in this section is State's exclusive remedy in the event of a breach of warranty. In no case shall 3M be liable for any other direct, indirect, special, incidental or consequential damages based upon breach of warranty. In no case shall 3M be liable for any direct damages based upon negligence, strict liability or any legal theory other than breach of contract. In no case shall 3M be liable for any indirect, special, incidental or consequential damages based upon negligence, strict liability, breach of contract or any other legal theory.
20. **System Upgrades and Modifications.** During the term of this Agreement the State will receive the following at no additional charge.
 - (a) System fixes for any bugs found in the software or printer operating system that do not permit production of license plates.


During the term of the Agreement the State will be made available the following upgrades at 3M's standard terms and prices:

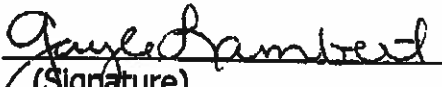
- (a) Any new technologies as part of successor Digital License Plate Production Systems that would require full or partial replacement of the printer, roll handling systems or computer hardware.
- (b) Any functional improvements to the software and license plate finished goods management system.
- (c) Any new software system developed for the Digital License Plate printer that is not a version upgrade of the existing software.

IN WITNESS WHEREOF, each party has caused this Agreement to be executed on the date indicated below:

3M COMPANY

MONTANA CORRECTIONAL
ENTERPRISES

By: 
(Signature)

By: 
(Signature)

Name: Richard J. LaClair

Name: Gayle Lambert

Title: Contract Administrator

Title: Administrator

Date: 11-19-07

Date: 9-17-07